

**Interim condensed consolidated
financial statements for the period
ended 30 June 2022**

Bigbank AS

Interim condensed consolidated financial statements for the period ended 30 June 2022

Business name	Bigbank AS
Registry	Commercial Register of the Republic of Estonia
Registration number	10183757
Date of entry	30 January 1997
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Financial year	1 January 2022 – 31 December 2022
Reporting period	1 January 2022 – 30 June 2022
Chairman of the management board	Martin Lääts
Core business line	Provision of loans and acceptance of deposits
Auditor	KPMG Baltics OÜ
Reporting currency	The reporting currency is the euro.

Interim report is available on the website of Bigbank AS at www.bigbank.ee.
The version in English is located at www.bigbank.eu.

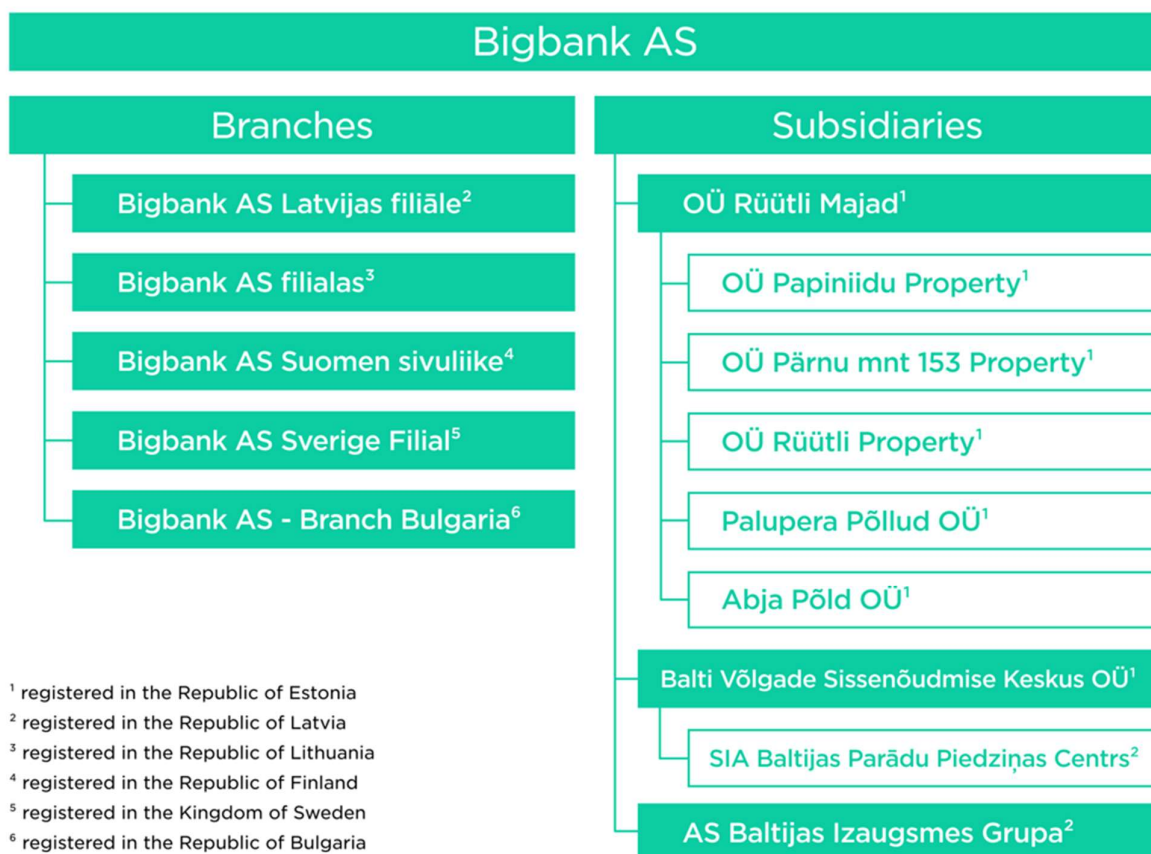
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Bigbank Group structure

Bigbank AS (hereinafter also “Bigbank” and “Group”) was founded on 22 September 1992. A licence for operating as a credit institution was issued to Bigbank AS on 27 September 2005. Bigbank is specialised on loans and deposits.

The Group's structure at the reporting date:



The branches in Latvia, Lithuania, Finland, Sweden¹ and Bulgaria offer lending services similar to those of the parent. The parent and its Latvian, Finnish, Swedish and Bulgarian branches offer also deposit services. In addition, Bigbank AS provides cross-border deposit services in Germany, the Netherlands and Austria.

The core business of OÜ Rütli Majad and its subsidiaries OÜ Papiniidu Property and OÜ Pärnu mnt 153 Property is

managing real estate, and the subsidiary OÜ Rütli Property and Baltijas Izaugsmes Grupa AS manage agricultural land. The subsidiaries Abja Põld OÜ and Palupera Põllud OÜ are agricultural enterprises engaged in grain growing, milk production and dairy farming. Balti Võlgade Sissenõudmise Keskus along with its subsidiary are not engaged in active business operations.

¹ The Swedish branch will suspend the issue of new loans from 1 September 2022.

Review of operations

Significant economic events

Bigbank's half-year results were excellent despite the war in Ukraine and the energy crisis, which are creating instability in the European economic environment. Bigbank has managed to increase market share thanks to its attractive value proposition and has maintained robust growth. A strong organisation has enabled us to keep costs under control and to increase revenues. As a result, net profit for the first half-year grew by 29% year over year, rising to 14.1 million euros.

The most important event of the reporting period was receiving an investment grade rating assigned by Moody's. The long-term rating with a stable outlook gives our depositors and partners assurance about Bigbank's operating model and the quality of our portfolio and will support the financing of our further international expansion plans.

Both Bigbank's loan portfolio and deposits from customers grew, expanding in 6 months by 23.8% and 30.1% compared to the year-end, respectively; and in the second quarter by 10.9% and 15.0% compared with the end of the first quarter, respectively. In the second quarter, Bigbank's corporate loan portfolio grew by 53.9 million euros (19.8%) compared to the first quarter. Growth was mainly driven by long-term investment loans issued in Estonia and Lithuania for the acquisition of commercial real estate and to the agriculture and forestry sectors. In the second quarter, the volume of new corporate loans and leases issued increased by 82% year over year, amounting to 99.1 million euros. The portfolio of loans to individuals has grown significantly due to the rise in the volume of housing loans. At the end of the first half of 2022, the volume of housing loans granted by Bigbank was 3.5 times larger than a year earlier. In the second quarter, the share of housing loans with a special repayment schedule issued in Estonia also increased significantly – in June, for example, already one in four borrowers preferred the special repayment schedule that allows postponing the payment of loan principal for up to 20 years. Customers' interest in savings deposits remains high: their share in total deposits has grown rapidly, reaching 41.9% by the end of the second quarter.

At the end of the second quarter, the Group's performing loan portfolio amounted to 1.1 billion euros, exceeding the year-end figure by 218.3 million euros (24.6%). The share of loans over 90 days past due accounted for 1.4% of the total portfolio at the reporting date.

The Group's investment property portfolio, which includes both agricultural land and commercial real estate, grew to 46.5 million euros by the end of the quarter.

In the second quarter, Bigbank issued 10-year subordinated bonds of 5 million euros maturing in 2032 which are part of Tier 2 capital. Subject to approval by the Estonian Financial Supervision and Resolution Authority, the bonds may be called early at any time after 5 years have passed.

Bigbank earned a net profit of 7.7 million euros in the second quarter of 2022, which is 49.7% more than in the same period last year. Profit before loss allowances and income tax for the second quarter was 11.5 million euros. Second-quarter expenses on credit loss allowances amounted to 2.8 million euros. Interest income for the second quarter amounted to 23.5 million euros, a 4.6 million euro (24.4%) increase on the same period last year.

This is the first year of the new strategy period 2022–2026. The new strategy positions us as a growth oriented, customer-focused bank which aims for a 20% return on equity (ROE). The following focus areas, among others, help achieve the goal:

- loan portfolio growth primarily through housing and corporate loans enables us to increase long-term interest income and efficiency;
- good quality of the loan portfolio allows taking the internal risk based (IRB) approach to capital requirements for credit risk;
- real estate investments will support capital increase and create synergy;
- entrance to daily banking will increase customer loyalty, improve marketing efficiency and provide cheaper financing.

In order to support the new business strategy and achieve the expected return on capital, the management board of Bigbank AS decided in August 2022 to suspend the issue of new loans at its Swedish branch from 1 September 2022. The Group will continue raising deposits and servicing its existing loan portfolio in Sweden.

So far, the war in Ukraine has had a limited direct impact on the Group and related risks, especially liquidity and operational risks, have not materialised. The Group's financial performance has not yet been directly affected by inflation, which is accelerating across our home markets, and a rise in base interest rates either. However, the high level of inflation and Euribor, which has risen to a positive level, have started to undermine consumer confidence. Further risks are mostly related to the capacity of consumers and companies to adapt to the new economic environment. For the Group, this may involve, above all, an increase in loan losses and financing costs, which will partly be counterbalanced by growth in interest income on floating rate loans.

REVIEW OF OPERATIONS

The supervisory board of Bigbank AS has five members: the chairman of the supervisory board Parvel Pruunsild and the members Vahur Voll, Juhani Jaeger, Raul Eamets and Andres Koern.

The management board has five members: the chairman of the management board Martin Länts and the members Mart Veskimägi, Argo Kiltsmann, Ingo Pöder and Ken Kanarik.

Bigbank's rapid growth has also been supported by an increase in the number of employees. The Group employs almost 500 people, 7% more than at the previous year-end. At the end of the second quarter of 2022, Bigbank had 496 employees: 300 in Estonia, 82 in Lithuania, 74 in Latvia, 20 in Finland, 11 in Sweden and 9 in Bulgaria.

Key performance indicators and ratios

Financial position indicators (in millions of euros)	30 Jun 2022	31 Dec 2021	Change
Total assets	1,435.4	1,151.1	24.7%
Loans to customers	1,114.1	896.2	24.3%
of which loan portfolio	1,122.5	906.7	23.8%
of which interest receivable	17.8	16.2	9.9%
of which loss allowances	-26.2	-26.6	-1.7%
Deposits from customers	1,168.6	898.3	30.1%
Equity	193.0	186.1	3.7%

Financial performance indicators (in millions of euros)	Q2 2022	Q2 2021	Change	6M 2022	6M 2021	Change
Interest income	23.5	18.9	24.4%	45.0	36.5	23.2%
Interest expense	2.8	2.0	42.7%	5.3	3.9	35.9%
Salaries and associated charges	5.4	4.4	24.0%	10.5	8.3	26.5%
Other operating expenses	4.2	3.5	21.5%	8.1	6.4	26.3%
Net loss allowances on loans and financial investments	2.8	3.9	-27.9%	6.6	6.5	0.9%
Profit before impairment losses and income tax	11.5	9.6	19.9%	22.4	18.6	20.5%
Net profit	7.7	5.1	49.7%	14.1	10.9	29.0%

Ratios	Q2 2022	Q2 2021	6M 2022	6M 2021
Return on equity (ROE)	16.2%	12.9%	14.8%	13.7%
Equity multiplier (EM)	7.2	5.5	6.8	5.3
Profit margin (PM)	28.1%	24.6%	26.7%	26.9%
Asset utilization ratio (AU)	8.0%	9.6%	8.1%	9.6%
Return on assets (ROA)	2.3%	2.3%	2.2%	2.6%
Price difference (SPREAD)	6.4%	8.0%	6.5%	8.1%
Cost to income ratio (CIR)	56.6%	51.1%	56.4%	49.9%
Liquidity coverage ratio (LCR)	594.2%	452.7%	594.2%	452.7%
Net stable funding ratio (NSFR)	133.5%	129.9%	133.5%	129.9%

Ratios are presented on an annual basis (i.e. annualised).

Explanations of ratios:

Return on equity (ROE, %) = net profit for the period / quarter / average equity * 100

Equity multiplier (EM) = average assets / average equity

Profit margin (PM, %) = profit for the period / total income * 100

Asset utilisation (AU) = total income (incl. interest income, fee income, dividend income and other operating income) to total assets

Return on assets (ROA, %) = net profit for the period / average assets * 100

Price difference (SPREAD) = ratio of interest income to interest-bearing assets less ratio of interest expense to interest-bearing liabilities

Cost to income ratio (CIR) = total operating costs to net income

Liquidity coverage ratio (LCR) = high quality liquid asset amount (HQLA) / net liquidity outflow over a 30 days stress period * 100

Net stable funding ratio (NSFR, %) = available stable funding / required stable funding * 100

Financial review

Financial position

At 30 June 2022, the consolidated assets of Bigbank AS Group totalled 1.44 billion euros, having increased by 165.6 million euros (13.0%) during the second quarter.

At 30 June 2022, loans to customers accounted for 77.6% of total assets, amounting to 1.11 billion euros. At the end of the second quarter, the proportion of liquid assets (amounts due from banks and financial debt instruments) was 15.3%, totalling 219.7 million euros. Part of the bank's liquidity buffer has been placed in a portfolio of debt securities which are highly liquid, hold investment grade credit ratings, and can be sold at any time, except for debt securities that have been pledged. Debt instruments totalled 46.1 million euros at 30 June 2022, of which 38.0 million euros was pledged as collateral for a loan from the central bank and 8.1 million euros was part of the liquidity buffer.

At the end of the second quarter, the Group had 119 thousand loan agreements, 41 thousand of them in Lithuania, 31 thousand in Latvia, 22 thousand in Estonia, 14 thousand in Finland, 10 thousand in Sweden and 1 thousand in Bulgaria.

Geographical distribution of loans to customers:

- 36.9% Estonia,
- 32.9% Lithuania,
- 15.2% Latvia,
- 8.5% Finland,
- 5.9% Sweden,
- 0.6% Bulgaria.

Financial performance

Interest income for the second quarter of 2022 reached 23.5 million euros, increasing by 4.6 million euros (24.4%) compared to the same period in 2021. The second quarter's ratio of interest income (annualised) to average interest-earning assets was 7.4% and (annualised) return on the loan portfolio accounted for 8.7% of the average loan portfolio.

Interest expense for the second quarter of 2022 was 2.8 million euros, having grown by 0.8 million euros (42.7%) year on year. The ratio of interest expense to interest income was 12.1% in the second quarter. The ratio of interest expense to average interest-bearing liabilities (annualised) was 1.0%.

Salaries and associated charges for the second quarter of 2022 totalled 5.4 million euros. At the end of the period, the Group had 496 employees.

At 30 June 2022, loans to customers totalled 1,114.1 million euros, comprising of:

- the loan portfolio of 1,122.5 million euros. Loans to individuals accounted for 69.5% of the total;
- interest receivable on loans of 17.8 million euros;
- loss allowances for loans and interest receivables of 26.2 million euros.

Bigbank's loan portfolio is diversified – at the reporting date the average loan balance was 9,395 euros.

To mitigate the risks arising from customers' payment behaviour and to cover potential credit losses, the Group makes loss allowances. Bank follows in impairment calculations conservative line. Where debt recovery proceedings do not yield expected results, the underlying receivable is written off the statement of financial position.

At the end of the second quarter of 2022, the Group's liabilities totalled 1.24 billion euros. Most of the debt raised by the Group, i.e. 1.17 billion euros (94.1%) consisted of deposits. The liability of the financing received under ECB's third series of targeted longer-term refinancing operations (TLTRO-III) and secured by debt securities reached at 30 June 2022 36.3 million euros.

At the end of the second quarter of 2022, the Group's equity was 193.0 million euros. The equity to assets ratio amounted to 13.4%.

Administrative expenses for the second quarter amounted to 4.2 million euros, being higher by 0.7 million euros than in the year-earlier period.

In the second quarter, impairment losses were 2.8 million euros, consisting of:

- impairment losses on loan receivables of 2.1 million euros;
- impairment losses on interest receivables and other receivables of 0.7 million euros.

The Group's net profit for the second quarter of 2022 amounted to 7.7 million euros. In comparison to the second quarter of 2021, net profit has increased by 2.6 million euros.

Capital ratios

Own funds

The methods used by the Group for calculating own funds are stipulated in regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD 4) as transposed into Estonian law.

Total own funds, capital ratios and total risk exposure are presented at the supervisory reporting group level: the companies Palupera Põllud OÜ and Abja Põld OÜ have been accounted for using the equity method based on the CRR scope of consolidation, not using consolidation according to the IFRS accounting treatment.

At (in thousands of euros)	30 Jun 2022	31 Dec 2021
Paid-in share capital	8,000	8,000
Capital reserve	800	800
Prior years retained earnings	170,245	140,363
Other accumulated comprehensive income	-72	1,076
Other intangible assets	-20,062	-17,487
Profit eligible	4,788	17,053
Adjustments to CET1	-339	-383
Common equity Tier 1 capital	163,360	149,422
Tier 1 capital	163,360	149,422
Tier 2 capital	20,000	15,000
Total own funds	183,360	164,422

Article 26(2) of Regulation (EU) No 575/2013 of the European Parliament and of the Council (2) has introduced a procedure whereby the permission of the competent authority is required for the inclusion of interim profits or year-end profits in Common Equity Tier 1 (CET1) capital before an institution has taken a formal decision confirming the final profit or loss of the institution for the year. Such permission is granted where the following two conditions are met: profits have been verified by persons independent of the institution that are responsible for the auditing of the

accounts of that institution; and the institution has demonstrated that any foreseeable charge or dividend has been deducted from the amount of those profits.

At the end of the second quarter of 2022, own funds include net profit for the three months of current year that has been verified by an independent external auditor in the review of the interim financial information, less foreseeable dividends and following the permit of the Estonian Financial Supervision and Resolution Authority.

Total risk exposure amount

At (in thousands of euros)	30 Jun 2022	31 Dec 2021
Risk weighted exposure amounts for credit and counterparty credit (standardised approach)		
Central governments or central banks	765	553
Institutions	16,536	14,587
Corporates	288,237	207,846
Retail	462,855	444,278
Secured by mortgages on immovable property	79,888	46,420
Exposures in default	12,133	13,314
Items associated with particular high risk	42,589	-
Claims on institutions and corporates with a short-term credit assessment	4,852	711
Equity	9,101	4,780
Other items	31,029	62,073
Total risk weighted exposure amounts for credit and counterparty credit (standardised approach)	947,985	794,562
Total risk exposure amount for foreign exchange risk (standardised approach)	1,741	-
Total risk exposure amount for operational risk (standardised approach)	110,071	103,721
Total risk exposure amount for credit valuation adjustment (standardised approach)	-	-
Total risk exposure amount	1,059,797	898,283

Capital ratios

At	30 Jun 2022	31 Dec 2021
T1 Capital ratio	15.4%	16.6%
Total capital ratio	17.3%	18.3%
Leverage ratio	11.3%	12.7%
Own funds and eligible liabilities to total risk exposure amount (TREA)	17.3%	18.3%
Own funds and eligible liabilities to total leverage ratio exposure (LRE)	12.7%	13.9%

Condensed consolidated interim financial statements

Consolidated statement of financial position

At (in thousands of euros)	Note	30 Jun 2022	31 Dec 2021
Assets			
Cash balances at central banks	3	112,730	78,732
Due from other banks	3	60,881	37,216
Debt instruments at fair value through other comprehensive income	4	46,065	45,256
Loans to customers	5-9	1,114,146	896,238
Other receivables and inventories	10	4,929	2,655
Prepayments	11	1,827	1,465
Property, plant and equipment	12	19,758	20,940
Investment properties	13	46,529	41,590
Intangible assets	14	28,518	27,025
Assets classified as held for sale		23	11
Total assets	2	1,435,406	1,151,128
Liabilities			
Loans from central banks	15	36,314	36,500
Deposits from customers	16	1,168,604	898,340
Subordinated notes		20,023	14,976
Lease liabilities		1,744	1,806
Provisions		395	266
Deferred income and tax liabilities		1,988	1,930
Other liabilities	17	13,322	11,189
Total liabilities	2	1,242,390	965,007
Equity			
Paid-in share capital		8,000	8,000
Capital reserve		800	800
Other reserves	18	-91	1,076
Retained earnings		184,307	176,245
Total equity		193,016	186,121
Total liabilities and equity		1,435,406	1,151,128

Consolidated statement of comprehensive income

<i>(in thousands of euros)</i>	Note	Q2 2022	Q2 2021	6M 2022	6M 2021
Interest income	22	23,457	18,863	45,002	36,542
Interest expense	23	-2,837	-1,988	-5,265	-3,874
Net interest income		20,620	16,875	39,737	32,668
Fee and commission income		1,909	1,604	3,781	3,099
Fee and commission expense		-68	-66	-161	-123
Net fee and commission income		1,841	1,538	3,620	2,976
Loss on debt instruments at fair value through other comprehensive income		-18	-	-82	-57
Net gain (loss) on exchange differences		-192	88	-238	-55
Net gain (loss) on derecognition of non-financial assets		6	-34	17	1
Net income (loss) on financial assets		-204	54	-303	-111
Other income	24	1,930	425	3,780	825
Other expenses	25	-1,941	-972	-3,707	-1,701
Total net operating income		22,246	17,920	43,127	34,657
Salaries and associated charges		-5,432	-4,381	-10,508	-8,308
Administrative expenses	26	-4,226	-3,479	-8,137	-6,441
Depreciation, amortisation and impairment		-1,001	-825	-1,969	-1,689
Provision expenses		-121	331	-131	361
Total expenses		-10,780	-8,354	-20,745	-16,077
Profit before loss allowances		11,466	9,566	22,382	18,580
Net loss allowances on loans and financial investments		-2,795	-3,874	-6,558	-6,500
Profit before income tax		8,671	5,692	15,824	12,080
Income tax expense		-993	-564	-1,762	-1,179
Profit for the period		7,678	5,128	14,062	10,901
Other comprehensive income		-618	-110	-1,167	-8
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		-618	-110	-1,167	-8
<i>Exchange differences on translating of foreign operations</i>		225	-73	272	51
<i>Changes in the fair value of debt instruments at fair value through other comprehensive income</i>		-843	-37	-1,439	-59
Total comprehensive income for the period		7,060	5,018	12,895	10,893
Basic earnings per share (EUR)	27	96	64	176	136
Diluted earnings per share (EUR)	27	96	64	176	136

Consolidated statement of cash flows

<i>(in thousands of euros)</i>	Note	6M 2022	6M 2021
Cash flows from operating activities			
Interest received		41,484	35,379
Interest paid		-4,215	-3,095
Salary, administrative and other expenses paid		-24,940	-19,669
Other income and fees received		9,196	3,673
Recoveries of receivables previously written off and received for sold portfolios		2,894	1,673
Received for other assets		-	757
Loans provided		-407,749	-260,736
Repayment of loans provided		180,666	138,736
Change in mandatory reserves with central banks	3	-2,368	-1,128
Proceeds from customer deposits		568,689	301,836
Paid on redemption of deposits		-304,702	-142,282
Income tax paid/received		-1,990	-1,096
Effect of movements in exchange rates		58	1
Net cash from operating activities		57,023	54,049
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	12, 14	-3,078	-2,273
Proceeds from sale of property and equipment		34	9
Acquisition of investment properties	13	-3,394	-10,748
Acquisition of financial instruments	4	-5,805	-3,023
Proceeds from redemption of financial instruments	4	3,583	948
Net cash used in investing activities		-8,660	-15,087
Cash flows from financing activities			
Received from issue of notes		5,000	-
Interest paid on subordinated notes		-493	-
Received loans from banks		9,308	-
Payment of principal portion of lease liabilities		-306	-306
Dividends paid		-6,000	-6,000
Net cash from / used in financing activities		7,509	-6,306
Effect of exchange rate fluctuations		-576	-54
Increase in cash and cash equivalents		55,296	32,602
Cash and cash equivalents at beginning of period		111,771	73,650
Cash and cash equivalents at end of period	3	167,067	106,252

Consolidated statement of changes in equity

<i>(in thousands of euros)</i>	Attributable to equity holders of the parent				Total
	Share capital	Statutory capital reserve	Other reserves	Retained earnings	
Balance at 1 January 2021	8,000	800	1,075	146,363	156,238
Profit for the period	-	-	-	10,901	10,901
Other comprehensive income					
Exchange differences on translating foreign operations	-	-	51	-	51
Net change in fair value of debt instruments at fair value through other comprehensive income	-	-	-59	-	-59
Revaluation of land and buildings	-	-	-	-	-
Total other comprehensive income	-	-	-8	-	-8
Total comprehensive income for the period	-	-	-8	10,901	10,893
Dividend distribution	-	-	-	-6,000	-6,000
Total transactions with owners	-	-	-	-6,000	-6,000
Balance at 30 June 2021	8,000	800	1,067	151,264	161,131
Balance at 1 January 2022	8,000	800	1,076	176,245	186,121
Profit for the period	-	-	-	14,062	14,062
Other comprehensive income					
Exchange differences on translating foreign operations	-	-	272	-	272
Net change in fair value of debt instruments at fair value through other comprehensive income	-	-	-1,439	-	-1,439
Revaluation of land and buildings	-	-	-	-	-
Total other comprehensive income	-	-	-1,167	-	-1,167
Total comprehensive income for the period	-	-	-1,167	14,062	12,895
Dividend distribution	-	-	-	-6,000	-6,000
Total transactions with owners	-	-	-	-6,000	-6,000
Balance at 30 June 2022	8,000	800	-91	184,307	193,016

Notes to the condensed consolidated interim financial statements

Note 1. Basis of preparation, significant accounting policies, estimates and assumptions and risk management

Basis of preparation

The condensed consolidated interim financial statements of Bigbank AS at and for the six months ended 30 June 2022 have been prepared in accordance with the international financial reporting standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The interim financial statements do not include all the information required for full annual financial statements and they should be read in conjunction with the Group's latest published annual financial statements as at and for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRS EU).

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards and interpretations effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

This interim report has not been audited or otherwise reviewed by auditors and only includes the condensed consolidated financial statements of the Group. The financial statements are presented in thousands of euros, unless otherwise indicated.

New standards and amendments

A number of amended standards (IFRS 3, IAS 16, IAS 37, IFRS 9, IFRS 16, IAS 41) became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

Significant accounting estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making estimates about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The impact of management's estimates is most critical regarding loss allowances for loans and interest receivables. The measurement of expected credit loss

(ECL) allowance for financial assets measured at amortised cost and FVOCI is a significant estimate that involves determination of methodology, models and data inputs. The loss allowances are disclosed in notes 5, 7 and 9. The following components have a major impact on credit loss allowance: definition of default, determining criteria for significant increase in credit risk, probability of default (PD), exposure at default (EAD), and loss given default (LGD), establishing groups of similar financial assets for the purpose of measuring ECL, as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The Group used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. There have been no significant changes in either methodology or models during the current reporting period.

Risk management

The primary objectives of risk management are to protect the Group's financial strength and limit the impact of potential adverse events on the Group's capital, liquidity and financial results, and to ensure that the outcomes of risk-taking activities are consistent with the Group's strategies and risk appetite, and that there is an appropriate balance between risk and reward. Effective risk and capital management is an essential component of the Group's management. It has a crucial impact on the long-term results and sustainability of the business model.

Risk taking is an unavoidable part of the Group's business activities and risk management supports business activities and decision making, ensuring that there is as clear information as possible about the risk and reward of different choices. Risk management is an integral part of the strategic decision making and daily business decision making process.

The following principles are followed in risk and capital management:

- Well-balanced portfolio. The Group maintains a well-diversified credit portfolio and takes limited risk in financial markets. Since uncertain changes in any individual position may seriously affect Group's overall risk position, over-reliance on single counterparties and concentrations of risk are avoided.
- Risk profile by significant countries of operation and significant product groups. The credit portfolio is reasonably balanced between different countries of operation and products. The management board determines at least annually the maximum exposure limits for individual countries of operation and

significant product groups. Any target risk profile change must take into account established limits and potential effects. The actual risk profile is regularly measured against such limits.

- Quality of assets. Any changes in the target risk profile that may significantly affect the quality of assets are properly analysed and assessed before the changes are made.
- Strong liquidity position. The Group maintains a conservative liquidity risk profile and a sufficient portfolio of liquid assets at all times. Concentrations of funding and liquid assets are avoided.
- Adequate capital. The Group maintains a strong and rather conservative capitalisation level (capital adequacy). The Group makes sure that it has adequate capital to cover its risks and comply with regulatory and internal capital requirements.
- Reasonable risk level. The Group does not accept unreasonably high risk even when there is potential for exceptionally high profit as a result of risk taking. Risks which the Group cannot assess or manage adequately or for which it does not have sufficient experience or knowledge are avoided.
- Low risk appetite to specified types of risks. The Group has low risk appetite to certain risk types as specified in the policies for individual risks.

- Reliable structure of the statement of financial position. The Group is not required to maintain a specific structure of the statement of financial position but risk appetite that may have a significant impact on the structure of the statement of financial position is carefully assessed (the impacts of the changes in the structure of the statement of financial position are analysed) and changed, where necessary, before it is approved.

The main risk the Group has identified in its operations is credit risk, which arises in lending to customers. Other material risks are market risk (including IRRBB, i.e. interest rate risk in the banking book), liquidity risk, operational risk, reputational risk, business and strategic risk. In order to cover these risks Group holds a capital buffer and liquidity reserves for unforeseen events. Risks are assessed and identified regularly, as a part of its internal capital adequacy assessment process (ICAAP) and internal liquidity assessment process (ILAAP).

Risk and capital management principles for the Group are established in the risk and capital management policy approved by the supervisory board of Bigbank AS.

There have been no significant changes in risk management neither risk profile during the current reporting period.

Note 2. Operating segments

Segment reporting is based on internal reports to the Group's executive management. The Group's chief operating decision maker is the management board of Bigbank AS, which monitors the Group's internally generated financial information on a regular basis to better assess the results of operations, including the performance of operating segments, and to allocate resources efficiently. The Group's banking operations are divided into two operating segments, identified by reference to customer categories: retail banking and corporate banking. Both segments offer loan products to customers and raise deposits. Group entities that are involved in investment property and agriculture and units that support banking operations (incl. the treasury) form the segment of other operations. Intersegment loans and services as well as receivables and payables are presented in the table below as eliminations.

The result of an operating segment is the segment's net profit, which comprises financial items directly attributable to the segment. The retail and corporate banking segments also include financial items (other income and expenses, operating expenses and income tax expense), which are allocated to segments consistent with their nature based on the size of the loan portfolio, the number of loans or the number of staff associated with the segment. The allocation is based on internal transfer prices. The prices applied in intersegment transactions (incl. providing loans and services to Group companies) do not differ significantly from market prices. Segment assets and liabilities comprise assets and liabilities which are directly attributed to the segment as well as assets and liabilities allocated to the segment on the basis of the size of the loan portfolio.

The Group does not have any customers that account for over 10% of any of the Group's revenue streams.

Segment profit for Q2 2022

	Retail banking	Corporate banking	Other activities	Elimination	Total
Interest income	19,063	4,480	328	-414	23,457
Interest expense	-2,204	-625	-422	414	-2,837
Net interest income	16,859	3,855	-94	-	20,620
Fee and commission income	1,907	2	-	-	1,909
Fee and commission expense	-51	-17	-	-	-68
Net fee and commission income	1,856	-15	-	-	1,841
Net income (loss) on financial assets	-	-	-204	-	-204
Other income	161	6	1,943	-180	1,930
Other expenses	-760	-42	-1,139	-	-1,941
Total net operating income	18,115	3,805	506	-180	22,246
Expenses	-8,736	-1,947	-277	180	-10,780
Profit before loss allowances	9,379	1,858	229	-	11,466
Net loss allowances on loans and financial investments	-2,815	20	-	-	-2,795
Profit before income tax	6,564	1,878	229	-	8,671
Income tax expense	-638	-355	-	-	-993
Profit for the period	5,926	1,523	229	-	7,678

Segment profit for 6M 2022

	Retail banking	Corporate banking	Other activities	Elimination	Total
Interest income	36,954	8,395	462	-809	45,002
Interest expense	-4,056	-1,162	-856	809	-5,265
Net interest income	32,898	7,233	-394	-	39,737
Fee and commission income	3,776	5	-	-	3,781
Fee and commission expense	-124	-37	-	-	-161
Net fee and commission income	3,652	-32	-	-	3,620
Net income (loss) on financial assets	-	-	-303	-	-303
Other income	403	8	3,729	-360	3,780
Other expenses	-1,525	-79	-2,103	-	-3,707
Total net operating income	35,427	7,131	929	-360	43,127
Expenses	-16,612	-3,737	-756	360	-20,745
Profit before loss allowances	18,815	3,394	173	-	22,382
Net loss allowances on loans and financial investments	-6,524	-34	-	-	-6,558
Profit before income tax	12,291	3,360	173	-	15,824
Income tax expense	-1,163	-599	-	-	-1,762
Profit for the period	11,128	2,761	173	-	14,062

Assets and liabilities of segments at 30 June 2022

At 30 June 2022	Retail banking	Corporate banking	Other activities	Elimination	Total
Total assets	961,560	404,325	118,667	-49,146	1,435,406
Total liabilities	1,164,862	22,770	101,147	-46,389	1,242,390

Segment profit for Q2 2021

	Retail banking	Corporate banking	Other activities	Elimination	Total
Interest income	17,068	1,748	150	-103	18,863
Interest expense	-1,757	-225	-109	103	-1,988
Net interest income	15,311	1,523	41	-	16,875
Fee and commission income	1,604	-	-	-	1,604
Fee and commission expense	-50	-16	-	-	-66
Net fee and commission income	1,554	-16	-	-	1,538
Net income (loss) on financial assets	-	-	54	-	54
Other income	166	-	262	-3	425
Other expenses	-772	-18	-182	-	-972
Total net operating income	16,259	1,489	175	-3	17,920
Expenses	-7,417	-929	-11	3	-8,354
Profit before loss allowances	8,842	560	164	-	9,566
Net loss allowances on loans and financial investments	-3,815	-59	-	-	-3,874
Profit before income tax	5,027	501	164	-	5,692
Income tax expense	-501	-63	-	-	-564
Profit for the period	4,526	438	164	-	5,128

Segment profit for 6M 2021

	Retail banking	Corporate banking	Other activities	Elimination	Total
Interest income	33,193	3,232	299	-182	36,542
Interest expense	-3,460	-402	-194	182	-3,874
Net interest income	29,733	2,830	105	-	32,668
Fee and commission income	3,098	1	-	-	3,099
Fee and commission expense	-99	-24	-	-	-123
Net fee and commission income	2,999	-23	-	-	2,976
Net income (loss) on financial assets	-	-	-111	-	-111
Other income	382	2	445	-4	825
Other expenses	-1,410	-34	-257	-	-1,701
Total net operating income	31,703	2,776	182	-4	34,657
Expenses	-14,419	-1,631	-31	4	-16,077
Profit before loss allowances	17,284	1,145	151	-	18,580
Net loss allowances on loans and financial investments	-6,407	-93	-	-	-6,500
Profit before income tax	10,877	1,052	151	-	12,080
Income tax expense	-1,049	-130	-	-	-1,179
Profit for the period	9,828	922	151	-	10,901

Assets and liabilities of segments at 30 June 2021

At 30 June 2021	Retail banking	Corporate banking	Other activities	Elimination	Total
Total assets	752,022	120,815	91,139	-40,976	923,000
Total liabilities	717,181	9,850	74,729	-39,891	761,869

Note 3. Cash and bank balances and cash equivalents

	30 Jun 2022	31 Dec 2021
Cash balances at central banks	112,730	78,732
Of which mandatory reserve deposits	6,559	4,181
Of which surplus on mandatory reserves*	106,186	74,555
Of which interest receivable from central banks	-15	-4
Cash balances at banks	60,881	37,216
Of which cash demand and overnight deposits*	60,881	37,216
Total cash and balances at banks	173,611	115,948
of which cash and cash equivalents	167,067	111,771

* Cash equivalents

Note 4. Debt instruments at fair value through other comprehensive income

At	30 Jun 2022	31 Dec 2021
Debt instruments	46,065	45,256
Debt instruments by issuer		
General government bonds	8,092	3,383
Bonds issued by credit institutions	14,181	14,404
Other financial corporations' bonds	-	2,038
Non-financial corporations' bonds	23,792	25,431
Debt instruments by currency		
EUR (euro)	42,660	42,713
SEK (Swedish krona)	3,405	2,543
Debt instruments by rating		
Aaa-Aa3	7,466	6,754
A1-A3	28,825	25,636
Baa1-Baa3	9,774	12,866

Debt securities in amount of 37,982 thousand euros were pledged as collateral at 30 June 2022 (see note 15).

Note 5. Loans to customers**Loans to customers at 30 June 2022**

	Estonia	Lithuania	Latvia	Finland	Sweden	Bulgaria	Total
Loan receivables from customers	414,361	358,027	173,046	100,307	70,299	6,492	1,122,532
Loss allowances for loans	-4,926	-4,312	-4,584	-5,688	-4,880	-326	-24,716
Interest receivable from customers	2,441	12,690	1,362	673	587	54	17,807
Loss allowances for interest receivables	-560	-323	-317	-59	-214	-4	-1,477
Total loans to customers, incl. interest and allowances	411,316	366,082	169,507	95,233	65,792	6,216	1,114,146
Share of region	36.9%	32.9%	15.2%	8.5%	5.9%	0.6%	100.0%

Loans to customers at 31 December 2021

	Estonia	Latvia	Lithuania	Finland	Sweden	Bulgaria	Total
Loan receivables from customers	287,705	152,870	283,025	105,588	75,838	1,645	906,671
Loss allowances for loans	-5,318	-5,491	-3,785	-6,028	-4,337	-47	-25,006
Interest receivable from customers	2,201	1,653	11,031	794	514	8	16,201
Loss allowances for interest receivables	-673	-491	-213	-100	-151	-	-1,628
Total loans to customers, incl. interest and allowances	283,915	148,541	290,058	100,254	71,864	1,606	896,238
Share of region	31.7%	16.5%	32.4%	11.2%	8.0%	0.2%	100.0%

Note 6. Loan receivables from customers by due dates

At	30 Jun 2022	31 Dec 2021
Past due loan payments	13,975	16,086
Contractual principal payments cash flows of loans		
Less than 1 month	15,718	11,002
1-12 months	171,718	146,540
1-2 years	193,632	156,726
2-5 years	430,693	356,591
More than 5 years	296,796	219,726
Total	1,122,532	906,671

Note 7. Ageing analysis on loan receivables

Ageing analysis at 30 June 2022

	Not past due	30 days or less	31-60 days	61-90 days	Over 90 days	Total
Unsecured loans						
Loan portfolio	547,147	28,891	7,351	4,698	14,376	602,463
Loss allowance	-9,574	-2,384	-2,570	-2,011	-7,665	-24,204
Surety loans						
Loan portfolio	547	84	33	15	90	769
Loss allowance	-5	-4	-9	-4	-89	-111
Loans secured with real estate						
Loan portfolio	474,822	1,732	102	17	326	476,999
Loss allowance	-197	-7	-	-	-33	-237
Loans against other collaterals						
Loan portfolio	38,727	2,443	412	259	460	42,301
Loss allowance	-92	-18	-13	-14	-27	-164
Total loan portfolio	1,061,243	33,150	7,898	4,989	15,252	1,122,532
Total loss allowance	-9,868	-2,413	-2,592	-2,029	-7,814	-24,716

Ageing analysis at 31 December 2021

	Not past due	30 days or less	31-60 days	61-90 days	Over 90 days	Total
Unsecured loans						
Loan portfolio	529,954	27,565	6,913	3,438	17,083	584,953
Loss allowance	-9,677	-2,338	-2,333	-1,401	-8,820	-24,569
Surety loans						
Loan portfolio	45,336	86	31	-	95	45,548
Loss allowance	-11	-5	-13	-	-91	-120
Loans secured with real estate						
Loan portfolio	266,653	1,944	313	211	638	269,759
Loss allowance	-179	-29	-12	-5	-79	-304
Loans against other collaterals						
Loan portfolio	5,981	430	-	-	-	6,411
Loss allowance	-12	-1	-	-	-	-13
Total loan portfolio	847,924	30,025	7,257	3,649	17,816	906,671
Total loss allowance	-9,879	-2,373	-2,358	-1,406	-8,990	-25,006

Note 8. Loan receivables from customers by contractual currency

At	30 Jun 2022	31 Dec 2021
EUR (euro)	1,045,741	829,188
SEK (Swedish krona)	70,299	75,838
BGN (Bulgarian lev)	6,492	1,645
Total loan receivables from customers	1,122,532	906,671

Note 9. Loss allowances for loan receivables from customers

Loss allowances at 30 June 2022

	Loan receivables	Interest receivables	Total receivables subject to impairment	Total loss allowances
Stage 1	1,074,288	14,393	1,088,681	-8,411
Stage 2	27,151	695	27,846	-5,902
Stage 3	21,093	2,719	23,812	-11,880
Total	1,122,532	17,807	1,140,339	-26,193

Loss allowances at 31 December 2021

	Loan receivables	Interest receivables	Total receivables subject to impairment	Total loss allowances
Stage 1	858,069	12,571	870,640	-8,438
Stage 2	25,063	622	25,685	-5,044
Stage 3	23,539	3,008	26,547	-13,152
Total	906,671	16,201	922,872	-26,634

Development of allowances for 6 months 2022

	Opening balance at 1 Jan 2022	Increases due to origination	Decrease due to derecognition repayments and disposals	Changes due to change in credit risk (net)	Decrease in allowance account due to write-offs	Closing balance
Stage 1	-8,438	-2,313	791	1,460	89	-8,411
Stage 2	-5,044	-599	186	-1,640	1,195	-5,902
Stage 3	-13,152	-221	350	-3,489	4,632	-11,880
Total	-26,634	-3,133	1,327	-3,669	5,916	-26,193

Development of allowances for 12 months 2021

	Opening balance at 1 Jan 2021	Increases due to origination	Decrease due to derecognition repayments and disposals	Changes due to change in credit risk (net)	Decrease in allowance account due to write-offs	Closing balance
Stage 1	-10,397	-4,332	1,852	4,262	177	-8,438
Stage 2	-3,965	-1,736	313	-527	871	-5,044
Stage 3	-12,989	-1,419	1,068	-6,434	6,622	-13,152
Total	-27,351	-7,487	3,233	-2,699	7,670	-26,634

Note 10. Other receivables

At	30 Jun 2022	31 Dec 2021
Receivables	4,207	1,887
Customer receivables and other miscellaneous receivables	3,977	1,648
Collection, recovery and other charges receivable	373	425
Loss allowance for other receivables	-143	-186
Inventories	722	768
Total	4,929	2,655

Note 11. Prepayments

At	30 Jun 2022	31 Dec 2021
Tax receivables	400	400
Prepaid other taxes	22	-
Prepayments to suppliers and prepaid expenses	1,405	1,065
Total	1,827	1,465

Note 12. Tangible assets

At	30 Jun 2022	31 Dec 2021
Land	7,466	9,012
Buildings	7,502	7,672
Right-of-use assets: office premises	1,421	1,409
Right-of-use assets: agricultural equipment and machinery	541	621
Other items - computers, office equipment, furniture, other fixtures, fittings	1,809	1,188
Biological assets	1,019	1,038
Total	19,758	20,940

Other items comprise computers, office equipment and furniture and other fixtures and fittings. Leased agricultural machinery and leased office premises are recognized as

right-of-use assets. Biological assets include dairy herds and grasslands.

Land and buildings, other items and biological assets

	Land and buildings	Other items	Biological assets	Total
Cost				
Balance at 1 January 2021	1,582	4,211	-	5,793
Purchases	35	453	62	550
Sales	-	-108	-	-108
Write-off	-	-44	-	-44
Revaluation recognised in other comprehensive income	113	-	-	113
Additions from business combinations	10,680	860	976	12,516
Transfer from investment property	4,338	-	-	4,338
Balance at 31 December 2021	16,748	5,372	1,038	23,158
Balance at 1 January 2022	16,748	5,372	1,038	23,158
Purchases	7	861	-	868
Sales	-3	-198	-19	-220
Write-off	-	-108	-	-108
Transfer into investment property	-1,546	-	-	-1,546
Transfer from right-of-use assets	-	79	-	79
Effect of movements in exchange rates	-	-2	-	-2
Balance at 30 June 2022	15,206	6,004	1,019	22,229
Depreciation				
Balance at 1 January 2021	-	-3,453	-	-3,453
Depreciation charge for the year	-90	-492	-	-582
Sales	-	98	-	98
Write-off	-	43	-	43
Additions from business combinations	-58	-379	-	-437
Transfer*	84	-	-	84
Effect of movements in exchange rates	-	-1	-	-1
Balance at 31 December 2021	-64	-4,184	-	-4,248
Balance at 1 January 2022	-64	-4,184	-	-4,248
Depreciation charge for the period	-174	-223	-	-397
Sales	-	146	-	146
Write-off	-	126	-	126
Transfer	-	-61	-	-61
Effect of movements in exchange rates	-	1	-	1
Balance at 30 June 2022	-238	-4,195	-	-4,433
Carrying amount				
Balance at 1 January 2021	1,582	758	-	2,340
Balance at 31 December 2021	16,684	1,188	-	17,872
Balance at 30 June 2022	14,968	1,809	1,019	17,796

* Land and buildings are measured using the revaluation model. Accumulated depreciation at the revaluation date was eliminated against the gross carrying amount of the revalued assets.

Right-of-use assets

At	30 Jun 2022	31 Dec 2021
Carrying amount at 1 January	2,030	2,084
Adjustment*	-	-299
Additions	257	130
Transfer to other items	-17	-
Depreciation charge	-365	-595
Price adjustment	57	53
Additions from acquisitions of business combinations	-	657
Carrying amount at end of period	1,962	2,030

* Both right-of-use assets and lease liabilities were reduced by non-recoverable value-added tax charged on rental services.

Note 13. Investment properties

At	30 Jun 2022	31 Dec 2021
Opening balance at 1 January	41,590	27,181
Additions	3,393	29,274
Sales	-	-16,968
Reclassification as office premises*	-	-4,338
Reclassification from land	1,546	-
Net profit/loss from fair value adjustment	-	6,441
Closing balance at end of period	46,529	41,590

* A part of a building initially acquired as investment property was reclassified to property, plant and equipment as the Group is going to use this part of the building as office premises.

Investment properties include buildings in Tallinn, Tartu and Pärnu and agricultural land.

Note 14. Intangible assets

	30 Jun 2022	31 Dec 2021
Cost at beginning of year	34,966	29,948
Purchased and developed software	2,700	5,018
Of which purchases	1,161	2,221
Of which capitalised payroll costs	1,539	2,797
Cost at end of period	37,666	34,966
Amortisation at beginning of year	-7,941	-5,735
Amortisation charge for the period	-1,207	-2,206
Amortisation at end of period	-9,148	-7,941
Carrying amount at beginning of year	27,025	24,213
Carrying amount at end of period	28,518	27,025

The Group's intangible assets comprise various software. The Group continues its investments in the information and banking technology solution called Nest, the first stage of which was implemented in 2017 in Finland and which has

been deployed in all branches by the end of 2019. The purchases also include the capitalised payroll and payroll-related costs for employees who were directly associated with the Nest development.

Note 15. Loans from central banks

In 2019 and 2020, the Group obtained from the ECB's third series of targeted longer-term refinancing operations (TLTRO-III) financing in the total value of 36.5 million euros. The initial maturity of the liability was 3 years with an early repayment option starting on 29 September 2021. The basic interest rate on TLTRO-III borrowing has been -0.5%. The interest rate is linked to a reference rate which may change in the future. For banks meeting the ECB's specified lending criteria, which the Group met for the first reference period, the interest rate can be as low as -1.0% and is applicable retrospectively. The ECB's financing is

secured by debt securities. At 30 June 2022, loans from central banks amounted to 36.3 million euros.

The targeted longer-term refinancing operations (TLTROs) are Eurosystem operations that provide financing to credit institutions. By offering banks long-term funding on attractive terms they preserve favourable borrowing conditions for banks and stimulate bank lending to the real economy. The third TLTRO programme consists of a series of ten targeted longer-term refinancing operations, each with a maturity of three years, starting in September 2019 at a quarterly frequency.

Note 16. Deposits from customers

At	30 Jun 2022	31 Dec 2021
Deposits from customers	1,168,604	898,340
Deposits by customer type		
Individuals	1,145,170	881,099
Legal persons	23,434	17,241
Deposits by currency		
EUR (euro)	1,083,679	815,783
SEK (Swedish krona)	84,195	82,557
BGN (Bulgarian lev)	730	-
Deposits by maturity		
Savings deposits (on demand)	490,092	343,782
Maturing within 1 months	19,467	20,343
Maturing between 1 and 6 months	121,504	102,546
Maturing between 6 and 12 months	167,656	109,273
Maturing between 12 and 18 months	64,403	60,309
Maturing between 18 and 24 months	70,683	64,227
Maturing between 24 and 36 months	114,410	80,110
Maturing between 36 and 48 months	39,971	42,027
Maturing between 48 and 60 months	38,116	32,728
Maturing in over 60 months	42,302	42,995

The median amount of customer deposits was 40 thousand euros.

Note 17. Other liabilities

At	30 Jun 2022	31 Dec 2021
Received surplus payments	8,606	5,516
Payables to employees	1,733	2,530
Supplier payables	938	1,792
Other payables	2,045	1,351
Total	13,322	11,189

Received surplus payments include surplus repayments of loans by customers that are paid prematurely and not yet

matched to particular loan contracts due to uncertainty of nature of these payments.

Note 18. Other reserves

At	30 Jun 2022	Change	31 Dec 2021
Exchange differences on translation of foreign operations	999	272	727
Asset revaluation reserve	783	-	783
Fair value changes of debt instruments measured at FVOCI	-1,873	-1,439	-434
Total other reserves	-91	-1,167	1,076

Note 19. Net currency positions**Net currency positions at 30 June 2022**

	Assets bearing currency risk	Liabilities bearing currency risk	Net position
SEK (Swedish krona)	84,244	85,329	-1,086
BGN (Bulgarian lev)	6,906	913	5,993

Net currency positions at 31 December 2021

	Assets bearing currency risk	Liabilities bearing currency risk	Net position
SEK (Swedish krona)	82,750	82,941	-191
BGN (Bulgarian lev)	1,902	160	1,742

The loans provided by the Group are denominated in the currency of the corresponding region or in euros.

Note 20. Fair values of assets and liabilities

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

According to management's estimates the fair values of the assets and liabilities reported in the statement of financial position at 30 June 2022 do not differ significantly from their carrying amounts.

The different levels have been defined as follows:

- *Level 1*: Quoted prices (unadjusted) in active markets for identical instruments.
- *Level 2*: Inputs other than quoted prices included within level 1 that are observable for instruments, either directly (that is, as prices) or indirectly (that is, derived from prices). This category includes instruments valued using quoted market prices in active markets for

similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- *Level 3*: Inputs that are not based on observable market data (that is, unobservable inputs). This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value hierarchy at 30 June 2022

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Debt instruments at fair value through other comprehensive income (note 4)	46,065	-	-	46,065
Land and buildings (note 12)	-	-	15,987	15,987
Investment properties (note 13)	-	-	46,529	46,529
Assets for which fair values are disclosed				
Loans to customers (note 5-9)	-	-	1,114,146	1,114,146
Other financial receivables (note 10)	-	-	4,929	4,929
Total assets	46,065	-	1,181,591	1,227,656
Liabilities for which fair values are disclosed				
Loans from central banks (note 15)	-	-	36,314	36,314
Deposits from customers (note 16)	-	-	1,168,604	1,168,604
Subordinated notes	-	-	20,023	20,023
Lease liabilities	-	-	1,744	1,744
Other financial liabilities (note 17)	-	-	13,322	13,322
Total liabilities	-	-	1,240,007	1,240,007

Fair value hierarchy at 31 December 2021

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Debt instruments at fair value through other comprehensive income (note 4)	45,256	-	-	45,256
Land and buildings (note 12)	-	-	17,722	17,722
Investment properties (note 13)	-	-	41,590	41,590
Assets for which fair values are disclosed				
Loans to customers (note 5-9)	-	-	896,238	896,238
Other financial receivables (note 10)	-	-	2,655	2,655
Total assets	45,256	-	958,205	1,003,461
Liabilities for which fair values are disclosed				
Loans from central banks (note 15)	-	-	36,500	36,500
Deposits from customers (note 16)	-	-	898,340	898,340
Subordinated notes	-	-	14,976	14,976
Lease liability	-	-	1,806	1,806
Other financial liabilities (note 17)	-	-	11,189	11,189
Total liabilities	-	-	962,811	962,811

There were no transfers between level 1 and level 2 in 2022 or 2021.

The Level 3 loans to customers that amounts to 1,114,146 thousand euros are measured at amortised cost using the effective interest rate method less any loss allowances. For fair valuation purpose the estimated cash-flows have been discounted at the prevailing market interest rates, the result being not materially different from that recognised under the amortised cost method using effective interest rate.

The Level 3 land and buildings that amounts to 15,987 thousand euros consists of real estate used by the Group as office premises in Tallinn, other buildings (agricultural production and storage buildings) and agricultural land. The biological assets include livestock – dairy cattle and young stock –, planted perennial grasslands and growing crops.

The office premises in Tallinn were valued using the income approach and the following inputs: the estimated rental income per square metre per month for commercial space

in Tallinn is 11 euros, the rental growth rate is 1.5%, the long-term vacancy rate is 5% and the discount rate is 8.5%. Part of the office premises have been rebuilt from residential space and they were valued using the market comparison approach, whereby the valuation was based on the prices per square metre of residential space in Tallinn city centre of 3,497-3,675 euros less the costs of transforming the office space back into apartments.

The agricultural land's fair value is based on a valuer's appraisal according to which the average price per hectare of agricultural land at the date of valuation was 5,200-7,600 euros. The fair values of agricultural production and storage buildings is based on a valuer's appraisal.

Biological assets are measured at fair value less costs to sell. The value of livestock is based on local Estonian market prices for livestock of similar age, breed and genetic merit, with adjustments, where necessary, to reflect the differences. Management determined the fair values of heifers transferred to dairy cattle based on the animal's pregnancy status and the month of first calving, setting the values of the animals in the range of 1,000 and 1,500 euros. At the values determined this way, the animals are carried in the statement of financial position until the end of the first lactation, after which the value of the animal begins to decrease with each lactation (the value is 900 euros during the second lactation, 500 euros during the third lactation and 200 euros during further lactations). The fair value of newborn calves and young animals is determined by reference to the increase in weight – the value of each kilogram of live weight is approximately 2 euros.

Unlike other biological assets, perennial grasslands and growing crops have been measured at cost. The deemed cost is based on the cost of high-quality grassland in public sources of 300 euros per hectare.

Note 21. Contingent liabilities

At 30 June 2022, the unused portions of the credit lines and loans totalled 100,037 thousand euros (31 December 2021:

The Level 3 *investment properties* that amount to 46,529 thousand euros consist of office buildings and retail space in Tartu, Tallinn and Pärnu and agricultural land leased to farmers. Investment properties are measured at the fair value in the financial statements.

The office building in Tartu was valued using the residual method based on the highest and best use of the property. The residual method takes into account the profit that could be earned if the existing property were developed and sold as an apartment building. The following inputs were used in the valuation of the property: the sales price per square metre for flats in Tartu old town of 3,500 euros and development costs per square metre of 1,588 euros.

The fair values of other office buildings in Tallinn and Pärnu were estimated using the income approach based on rental prices of 11-13 euros per square metre in Tallinn and 4-12 euros per square metre in Pärnu.

Agricultural land was valued using the market comparison approach. Based on valuation reports, the best use of the land is the existing use for agricultural purposes. According to the valuation reports, the average price per hectare of agricultural land was 5,600 euros.

Valuations of investment property are performed at each reporting date to make sure that the assets are measured at fair value at the reporting date.

The values of investment properties – commercial buildings and agricultural land – and real estate used by the Group have not been revalued during the reporting period as management estimates that the carrying amount of these assets corresponds to their fair value. The assumptions used described above are based on expert estimates obtained in the 4th quarter of 2021.

93,825 thousand euros), guarantees issued totalled 5 thousand euros (31 December 2021: 5 thousand euros).

Note 22. Interest income

	Q2 2022	Q2 2021	6M 2022	6M 2021
Interest income on loans to customers	23,149	18,720	44,566	36,256
Interest income on debt instruments	122	143	249	285
Interest income on deposits	-	-	1	1
Interest income on liabilities	186	-	186	-
Total interest income	23,457	18,863	45,002	36,542

Note 23. Interest expense

	Q2 2022	Q2 2021	6M 2022	6M 2021
Interest expense on deposits	2,433	1,817	4,515	3,563
Interest expense on notes	299	83	539	166
Interest expense on lease liabilities	6	5	13	11
Other interest expense	99	83	198	134
Total interest expense	2,837	1,988	5,265	3,874

Note 24. Other income

	Q2 2022	Q2 2021	6M 2022	6M 2021
Income from debt recovery proceedings	123	133	247	275
Rental income	883	258	1,726	437
Revenue from sales of agricultural products	538	-	1,188	-
Miscellaneous income	386	34	619	113
Total other income	1,930	425	3,780	825

Note 25. Other expenses

	Q2 2022	Q2 2021	6M 2022	6M 2021
Expenses related to registry inquires	309	327	576	579
Expenses related to enforcement proceedings	114	161	257	292
Legal regulation charges	207	168	403	328
Expenses from investment properties	346	191	725	272
Costs of sold agricultural products and change in fair value of biological assets	794	-	1,370	-
Miscellaneous expenses	171	125	376	230
Total other expenses	1,941	972	3,707	1,701

Note 26. Administrative expenses

	Q2 2022	Q2 2021	6M 2022	6M 2021
Marketing expenses	2,901	2,541	5,518	4,584
Short-term leases	93	42	89	87
Office and other similar administrative expenses	87	91	286	200
Other personnel-related expenses	296	98	667	211
Software licensing and other information technology costs	357	368	718	709
Other services	163	99	250	193
Postal supplies and charges	49	47	95	112
Telephone and other communications expenses	175	145	355	268
Miscellaneous operating expenses	105	48	159	77
Total other operating expenses	4,226	3,479	8,137	6,441

Note 27. Earnings per share

	6M 2022	6M 2021
Net profit for the period, in thousands of euros	14,062	10,901
Number of shares at beginning of year	80,000	80,000
Number of shares at end of period	80,000	80,000
Weighted average number of ordinary shares outstanding	80,000	80,000
Earnings per share, in euros	176	136

At 30 June 2022 and at 30 June 2021 the Group did not have any potential dilutive ordinary shares. Therefore,

diluted earnings per share equal basic earnings per share.

Note 28. Related parties

For the purposes of these financial statements, parties are related if one controls the other or exerts significant influence on the other's business decisions. Related parties include:

- shareholders of Bigbank AS;
- members of Group companies' management and supervisory boards;
- close family members of the above;

- companies connected with the above persons, except where the persons cannot exert significant influence on the company's business decisions.

At 30 June 2022, the Group had a claim to related parties of 6,376 thousand euros (Loans to customer) (31 December 2021: 4,310 thousand euros), the interest income on that claim amounted to 114 thousand euros for 6 months of 2022 (for 6 months of 2021: 14 thousand euros). Loans granted to related parties are issued at market conditions.

Claim to related parties

At	30 Jun 2022	31 Dec 2021
Loans to customers	6,376	4,310
Of which to members of management and supervisory boards	584	102
Of which to companies and persons connected related parties	5,792	4,208

Statement by the Management Board

According to the knowledge and belief of the Management Board of Bigbank AS, at the date of publication:

- the figures and additional information presented in the condensed consolidated interim report for the six months of 2022 are true and complete; and
- the condensed consolidated financial statements provide a true and fair view of the Group's financial position, financial performance and cash flows.
- The condensed consolidated interim report at 30 June 2022 has been prepared in accordance with the international financial reporting standard IAS 34 *Interim Financial Reporting* as adopted by the European Union and with the information disclosure requirements established by the Bank of Estonia.
- Financial statements have been prepared on a going concern basis.

Martin Länts

Chairman of the Management Board

30 August 2022

signed digitally

Mart Veskimägi

Member of the Management Board

30 August 2022

signed digitally

Argo Kiltsmann

Member of the Management Board

30 August 2022

signed digitally

Ingo Pöder

Member of the Management Board

30 August 2022

signed digitally

Ken Kanarik

Member of the Management Board

30 August 2022

signed digitally